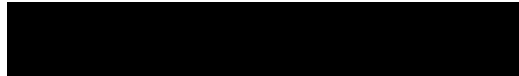


EXHIBIT 6



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CommScope Holding Company, Inc. (COMM) CEO Charles Treadway on Q3 2021 Results - Earnings Call Transcript

Nov. 06, 2021 11:51 AM ET | CommScope Holding Company, Inc. (COMM)



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Q3: 2021-11-04 Earnings Summary

Play Call

Press Release

EPS of \$0.29 **misses by \$0.10** | Revenue of \$2.11B (-2.90% Y/Y) **misses by \$104.45M**

CommScope Holding Company, Inc. (NASDAQ:COMM) Q3 2021 Earnings Conference Call November 4, 2021 8:30 AM ET

Company Participants

Russell Johnson - VP & Treasurer

Charles Treadway - President, CEO & Director

Kyle Lorentzen - EVP & CFO

Tom Cloonan - Interim Chief Technology Officer

Bud Watts - Chairman of the Board

Conference Call Participants

Amit Daryanani - Evercore ISI

George Notter - Jefferies

Simon Leopold - Raymond James

Victor Chiu - Raymond James

Ahmed Sami Badri - Credit Suisse

Steven Fox - Fox Advisors

Operator

Good day, and thank you for standing by. Welcome to the CommScope Third Quarter 2021 Results Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

I would now like to hand the conference over to your first speaker, Mr. Russell Johnson, Vice President, Treasurer and Investor Relations. Sir, please go ahead.

Russell Johnson

Good morning, and thank you for joining us today to discuss CommScope's Third Quarter 2021 results. With me on today's call are Chuck Treadway, President and CEO; Kyle Lorentzen, Executive Vice President and CFO; Tom Cloonan, Interim Chief Technology Officer; and Bud Watts, Chairman of the Board.

You can find the slides that accompany this report on our Investor Relations website.

Please note that some of our comments today will contain forward-looking statements based on our current view of our business, and actual future results may differ materially. Please see our recent SEC filings, which identify the principal risks and uncertainties that could affect future performance.

Before I turn the call over to Chuck, I have a few housekeeping items to review. Today, we will discuss certain adjusted or non-GAAP financial measures, which are described in more detail in this morning's earnings materials. Reconciliations of non-GAAP financial measures and other associated disclosures are contained in our earnings materials and posted on our website. All references during today's discussion will be to our adjusted results. All quarterly growth rates described during today's presentation are on a year-over-year basis, unless otherwise noted.

I'll now turn the call over to our President and CEO, Chuck Treadway. Chuck?

Charles Treadway

Thank you, Russell, and good morning, everyone. Thank you all for taking the time to join our call this morning. I'm going to be starting on Slide 2.

During the third quarter, core CommScope recorded net sales of \$1.69 billion, a 6% increase over prior year. We achieved this top line performance despite shortages of manufacturing components during the quarter. Our core adjusted EBITDA of \$275 million represents a 12% decline over prior year. This decline was primarily driven by supply chain factors, including component shortages, increased commodity costs and higher freight costs.

Our strongest performing segment for the quarter was Outdoor Wireless Networks with revenues increasing 31%. This strength was led by sales to the 3 leading North American mobile operators who continue to ramp up 5G-related macro cell site equipment deployments and infrastructure upgrades. These operators are showing healthy demand for CommScope's base station antennas as well as other cell site infrastructure products, ranging from cabling and structural steel to power management solutions. And we also continue to make progress with our partner, Nokia, in commercializing our unique integrated active/passive antenna products. These innovative products can help operators solve some of the most challenging aspects of 5G deployments, including footprint, weight, wind loading and speed of installation.

In our Venue and Campus segment, revenue increased by 8%, driven by both our inside plant copper and fiber cabling solutions. We continue to see demand from data centers and a recovery in enterprise markets.

In our RUCKUS business, we continue to see a healthy pace of new orders as RUCKUS backlog increased 31% in the quarter. However, our semiconductor allocations limited our ability to ship product and book revenue.

And finally, our DAS and Small Cell business unit saw softer sales as compared to the third quarter of 2020.

In our Broadband Networks segment, revenues declined by 4% during the third quarter. And as discussed in our last call, this includes the impact of a large software license sale that did not repeat. While we continue to experience strong demand across the board for advanced cable network solutions and cable and connectivity products, we were impacted by component shortages, primarily in our Converged Network Solutions and Access Technologies business units.

However, it is important to note that year-to-date Broadband Networks net sales are up 14% from prior year, and our backlog in Broadband Network segment continues to be robust and is up 34% since the beginning of the year. In our Cable and Connectivity business, we are essentially selling everything we can produce. We are also working hard to complete our Cable and Connectivity manufacturing expansion projects that we spoke about on previous calls.

Moreover, we are seeing clear signs of CommScope's diverse portfolio of cable network solutions are continuing to generate significant value for cable customers. Capital investment in Cable Networks is growing, but it is also developing along very operator-specific lines with no one-size-fits-all choice regarding architecture evolution or upgrade path.

The migration to new architectures will not be linear or an overnight process, but will continue to develop at least through the end of this decade. Many operators that we serve are moving deliberately with the introduction of new cable architectures and, for the time being, prefer to direct their investment capital towards optimizing their existing cable plants. For those customers, CommScope will remain a critical supplier of products ranging from software licenses and heading optics to access layer equipment.

And our very large installed base of CMTS and optical nodes gives us a strong income with competitive advantage. Other operators are moving more aggressively to adapt new next-generation architecture solutions such as virtualization, distributed access architecture and fiber to the home. For those customers, CommScope is equally well positioned given our fast developing suite of next-generation hardware and software offerings. This is an area where our long history as a cable equipment leader as well as our large installed base provides a competitive advantage.

Operators understand that CommScope's new product offerings are not experimental, but are based on decades of hardened, optimized coding and are specifically designed to be backwards compatible with existing technology. These and other factors help make CommScope the vendor of choice for operators seeking to implement new network architectures in a cost-effective and low-risk manner.

I'm very pleased to report that we are already seeing clear evidence that our newest DAA solutions are making good traction with cable customers who are upgrading their current networks and preparing for future network evolution. During the third quarter, we announced that Alaska's largest cable operator, GCI, will use our RD-2322 device to support the deployment of Remote MAC-PHY. This cutting-edge product provides operators with the same field hardened and optimized code as previously described. It is an all-in-one box, distributed CMTS solution that moves both the MAC and PHY layer functions out of the hardened -- out of the head end to a fiber optic node in the network access player.

Also during the quarter, we announced that Liberty Global will deploy CommScope's high-density remote PHY shelf. This cutting-edge solution will enable this important European operator to push fiber deeper into its network and enjoy the benefits of the distributed access architecture. These 2 customer wins demonstrate that CommScope is meeting current operator needs with new technologies, playing a leading role in the gradual migration of active cable functionality to the network edge and is poised for global broadband growth.

I'll finish up my segment review with an update on Home Networks, which we consider noncore because our previously announced intention to spin off the business during the second quarter of 2022. Home Networks revenues declined by 28% during the quarter versus prior year. While we are feeling the effects of supply chain disruptions across CommScope, our Home Networks business top line has been the most challenged by the global shortage of semiconductor chips.

In addition to supply challenges, the business has also been negatively impacted by escalating prices of electronic components and freight. Because of supply chain constraints, our large Home Networks backlog continued to grow and remains above \$1.1 billion.

Overall, I want to emphasize that we continue to see strong and, in some cases, record demand for our portfolio of communications and networking technologies. Year-to-date, we have grown our core business revenue versus the same period last year by 11%. As a result of the strong demand and supply constraints, our core backlog ended the quarter above \$2.2 billion.

The revenue growth and backlog build that we are achieving are direct evidence of the strength of our broad solutions portfolio. It is clear that many of our customers continue to show confidence in CommScope as a partner for building the networks of the future.

During the quarter, our revenue performance was more than offset by significant headwinds related to the current supply chain environment. Like many other technology companies, we experienced supply constraints with semiconductor chips that negatively impacted both net sales and adjusted EBITDA.

In addition to component shortages, CommScope also felt based commodity inflation as well as higher freight costs. The net impact of input costs and freight inflation on the third quarter consolidated adjusted EBITDA was approximately \$80 million. I can assure you that we are addressing these supply chain pressures with a sense of urgency across CommScope. While these disruptions may ultimately prove to be transitory, we cannot afford to operate under that assumption.

We are continuing to raise prices and take operational measures with the goal of offsetting the inflationary cost impacts. I want to emphasize that this catch-up process is not going to be immediate. While we are already making good progress on the pricing front, the reality is given our large backlog of negotiated orders as well as the lag built into pricing adjustment provisions in some of our customer contracts, the flow-through impact of price increases is going to take several quarters to fully materialize in our P&L.

We expect to see the revenue and margin pressure that we experienced in the third quarter persist for the remainder of 2021 and into 2022. As we accelerate our efforts to recover inflationary impacts on our business through pricing and cost actions, I want to emphasize that CommScope is in the early stages of a fundamental business transformation. During the third quarter, we continued to make excellent progress on CommScope NEXT, and we now have over 100 targeted initiatives, either in-flight or are ready for implementation.

Additionally, we have now put in place the management processes and tools to track progress on each CommScope NEXT initiative.

I'll now turn over the call to Kyle to provide further details on our third quarter results. Kyle?